

Message Text

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ORIGIN OPIC-06

INFO OCT-01 ARA-10 ISO-00 AID-05 EB-07 PA-02 PRS-01 USIA-15

CIAE-00 INR-07 NSAE-00 L-02 SP-02 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 FRB-01

XMB-04 LAB-04 SIL-01 /096 R

66607

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ARA/BC:AMISAACS

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R 082248Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

UNCLAS STATE 004292

E.O. 11652: N/A

TAGS: EFIN, CI

SUBJECT: ITT PRESS RELEASE

1. ON JANUARY 7, 1975, OPIC SETTLED ALL OUTSTANDING ISSUES WITH ITT ARISING OUT OF ITT'S INSURANCE CLAIMS ON ACCOUNT OF THE EXPROPRIATION OF THE CHILE TELEPHONE COMPANY. THE FOLLOWING PRESS RELEASE WAS ISSUED BY OPIC ON JAN. 7.

QUOTE: THE OVERSEAS PRIVATE INVESTMENT CORPORATION ANNOUNCED TODAY IT HAS REACHED A SETTLEMENT OF ALL OUTSTANDING ISSUES IN CONNECTION WITH INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION'S DOLS 95 MILLION POLITICAL RISK INSURANCE CLAIM FOR EXPROPRIATION OF THE CHILE TELEPHONE COMPANY.

MARSHALL T. MAYS, OPIC PRESIDENT, SAID THE SETTLEMENT WAS BASED ON THE SUCCESSFUL OUTCOME OF ITT'S NEGOTIATIONS WITH THE CHILEAN GOVERNMENT. THAT GOVERNMENT AGREED TO PAY A TOTAL PACKAGE OF DOLS UNCLASSIFIED

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125.2 MILLION FOR ITT'S EQUITY AND DEBT IN THE NATIONALIZED UTILITY.

UNDER THE TERMS OF OPIC'S SETTLEMENT WITH ITT, THE US GOVERNMENT AGENCY PURCHASED NOTES VALUED AT DOLS 35 MILLION FROM ITT AND GUARANTEED AN ADDITIONAL DOLS 59 MILLION OF NOTES ISSUED TO ITT BY CORFO, THE CHILEAN DEVELOPMENT CORPORATION. OPIC ALSO RETURNED DOLS 4 MILLION IN PREMIUMS PAID BY THE COMPANY SINCE THE EXPROPRIATION.

THE NOTES ACQUIRED BY OPIC CONSIST OF DOLS 17 MILLION IN EXISTING OBLIGATIONS OF THE CHILE TELEPHONE COMPANY, NOW GUARANTEED BY THE CENTRAL BANK OF CHILE, AND THE LAST THREE YEARS OF SEMIANNUAL NOTES, AMOUNTING TO DOLS 18 MILLION, ISSUED BY CORFO FOR PAYMENT OF ITT'S EQUITY IN THE TELEPHONE COMPANY.

UNDER ITT'S AGREEMENT WITH THE GOVERNMENT OF CHILE, THE CORPORATION RECEIVED DOLS 21 MILLION IN CASH FOR PAST DUE PRINCIPAL AND INTEREST ON DEBT OWNED BY THE TELEPHONE COMPANY TO ITT. THE REMAINING DOLS 17 MILLION OF THIS DEBT, NOW ACQUIRED BY OPIC, WILL BE PAID TO THE US AGENCY OVER THE NEXT SIX YEARS IN ACCORDANCE WITH THE ORIGINAL DEBT AGREEMENT.

IN ADDITION, PAYMENT OF ITT'S EQUITY IN THE TELEPHONE COMPANY CONSISTED OF A DOWN PAYMENT OF DOLS 10 MILLION IN AN INTEREST-BEARING LETTER OF CREDIT PAYABLE THIS YEAR. THE BALANCE OF DOLS 77.2 MILLION IS PAYABLE IN NOTES ISSUED BY CORFO, MATURING SEMIANNUALLY BETWEEN JANUARY 1, 1975 THROUGH JULY 15, 1987 AND BEARING INTEREST AT THE RATE OF 10 PERCENT.

THE OPIC SETTLEMENT FOLLOWED A DECISION FAVORABLE TO ITT BY AN INDEPENDENT PANEL OF ARBITRATORS UNDER THE AUSPICES OF THE AMERICAN ARBITRATION ASSOCIATION. THE PANEL UPHELD ITT'S INSURANCE CLAIM OF APRIL 1973 WHICH OPIC HAD DENIED ON THE BASIS THAT THE CORPORATION HAD FAILED TO SATISFY CONTRACTUAL REQUIREMENTS.

MR. MAYS SAID, QUOTE. THE SETTLEMENT WAS AN EQUITABLE ONE. THE DOLS 35 MILLION OF NOTES WE ARE ACQUIRING BEAR INTEREST AT AN AVERAGE ANNUAL RATE OF 8 PERCENT. THE FUNDS USED TO PURCHASE THESE NOTES WILL COME OUT OF OUR INSURANCE RESERVE WHICH NOW STANDS AT DOLS 202.2 MILLION. IN TURN, THE PAYMENTS OF PRINCIPAL AND INTEREST WHICH ARE MADE BY CHILE TO OPIC OVER THE NEXT 13 YEARS, TOTALING DOLS 58 MILLION WILL GO BACK INTO OUR RESERVE.
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QUOTE - THIS SETTLEMENT IS A GOOD EXAMPLE OF WHAT THE PARTIES CAN ACCOMPLISH BY NEGOTIATION IN GOOD FAITH. A COMPLEX AND LENGTHY SECOND STAGE OF THE ARBITRATION HAS THUS BEEN MADE UNNECESSARY. BOTH THE REPRESENTATIVES OF THE CHILE GOVERNMENT AND OF ITT HAVE DEMONSTRATED A SPIRIT OF COOPERATION AND UNDERSTANDING THROUGHOUT AND, AS A RESULT, THE PROBLEM WAS KEPT IN PROPER PERSPECTIVE. THIS WILLINGNESS TO WORK OUT DIFFICULT PROBLEMS WITH MUTUAL REGARD

FOR THE INTEREST OF ALL CONCERNED IS CERTAINLY A MAJOR STEP FORWARD
IN INTERNATIONAL UNDERSTANDING. UNQUOTE. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, DISPUTE SETTLEMENT, INSURANCE, NATIONALIZATION, PRESS RELEASES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE004292
Document Source: CORE
Document Unique ID: 00
Drafter: OPIC/GC:PETER R GILBERT
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750008-0564
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750168/aaaachwq.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2003 by JonesKG>; APPROVED <29 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITT PRESS RELEASE
TAGS: EFIN, CI, OPIC, ITT
To: SANTIAGO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006